3.E. CONTRACT LIQUOR AGENCY OPTION

This option is based on the current structure in place with the 157 (+/-) contract agents in the State of Washington. The WSLCB currently contracts with 157 private businesses to provide retail services. This accounts for half of the number of retail spirits outlets, although only about 14% (1999) of the retail sales. The state chooses and locates its stores based on geographic, demographic and economic analysis. Agency stores are primarily located in non-metropolitan and rural areas.

The State provides contract agents with inventory, bags for retail sales and necessary reporting forms.

The Agents provide the premises, labor, benefits, taxes, insurance, utilities and all other expenses for operating the retail liquor agency. Many state contract agencies also house a supplementary business. These can range from barbers to grocery stores to pharmacies to gift stores to everything in between. Attachment A5 includes a listing of Agencies and supplementary businesses. Agency income is commission-based and, therefore, directly related to liquor sales. Customer satisfaction and business efficiencies that improve sales are key components of the Agency's success.

Discussion[1]*: About 25% of the agency stores have another business that contributes to over ¼ of their operations (Attachment 5). There is no requirement that agencies have another business. The state encourages the letting of the contracts to the agencies in the smallest markets where a state store could not be sustained to pre-existing businesses in those communities. When new agents come in, the state requires an application and a business plan to help insure the viability of the newly established agency.*

The current compensation plan for the contract liquor agencies is as follows:

Compensation Plan for 7/1/00-6/30/01 Contract
Effective For Sales of July 1, 2000 to June 30, 2001

1. Each Contract Agency Manager will receive a monthly Base Rate. The Base Rate is calculated using the Average Net Sales*[2] for Fiscal Year 2000:

FY2000 Average Net Sales	Base Rate*
Under $5,000	$ 480.00
$ 5,000 to $10,500	$ 530.00
$10,501 to $21,000	$ 550.00
$21,001 to $39,999	$ 570.00
$40,000 to $59,999	$ 590.00
$60,0 00 to $69,999	$ 610.00
$70,000 and Over	$ 630.00

[1] The ***Discussion*** in italics throughout this section is a synopsis of the Task Force's discussion that took place on the Internet listserve (lcb-retail@egroups.com.

[2] Base Rate includes a $150 liability insurance supplement

2. Commission percentage based on monthly net sales[3] at the following rates:

Sales	Percentage
$ 0.00 to $10,500	21.332 %
$10,501 to $21,000	7.461 %
$21,001 and Over	5.683 %

Discussion: Agencies receive commission on sales as deposited into the bank. This includes all taxes except those that licensee customers collect at the time of sale to the consumer. Agencies do not receive commissions on the discounted portion of sale to licensees. To some agents, that would be 21.332% while the discount amount is only approx. 16.2%, so the state reaps an additional amount, in effect, the agent gives the discount out of their commission.

A proposal has been made to increase agency compensation with the addition of a volume-handling component (e.g. 0.15 cents per bottle).

Attachments A1 and A2 outline Agency commissions and return to the State based on the above fee structure plus a volume-handling component.

Overview of Agency Features

Under the agency contract system the inventory remains the property of the LCB. The warehouse and distribution of liquor by the LCB would remain the same. State-operated retail liquor stores would be phased out as soon as practical through attrition and as lease expirations allowed. Any new outlets would be contracted liquor agencies. Managers and employees could be offered contracts for the agencies providing they met the criteria for the position. Other employees could have the opportunity to be employed in the newly created contract agencies or employed in other positions within the State system through Reduction In Force (RIF) procedures.

Discussion: Should there be any requirement that new agency stores employ former WSLCB state store workers? The Task Force can include that as part of the defined criteria/plan for transition to the Agency option. This would be more of an issue if the transition were done overnight rather than over a longer time, e.g. 5 to 10 years.

Agency stores would be allowed to sell other items such as mixers, beer, wine, cigarettes, cigar, bar related items, and other products. Advertising or incentives to purchase spirits would not be permitted.

A limiting factor to the addition of new State retail outlets is the current need for a legislative appropriation to cover the increased costs of operation. There would be no increase in the cost to the State to allow more Agencies, as new appropriations for employees or rents would not be required. This could allow the Liquor Control Board to satisfy the need for more outlets due to population increases.

[3] "Net Sales" refers to gross liquor sales by cash, check, debit or credit card, less discounts, plus banquet permits.

Discussion: Would new appropriations not be required to pay commissions to new agency stores? Or to pay more commissions to agencies which increase sales? Dollars for commissions are included in the biennial budget approved by the legislature and would include projected commission amounts based on increased sales and additional stores, etc. If sales exceeded this and therefore increased the commission amount, a supplemental appropriation would be requested from the Legislature under the present rules. These are contracted commissions with private contractors that the legislature would be hard pressed not to provide for.

Currently, wine sold by agencies must be purchased through the Liquor Control Board. Agencies can be licensed to sell beer purchased from distributors and wholesalers. In these cases, the Agency is not allowed to also buy beer from the Liquor Control Board. An additional source of income for agencies could come from the purchase of wine from distributors and wineries and to sell at a competitive mark-up. As with beer, an agency buying wine from private sources might not be allowed to also buy wine from the Liquor Control Board.

Discussion: If agencies were to buy wine from private distributors, they would have to make an investment in wine inventory. Today, the state supplies the wine inventory and the agencies do not have to purchase it. Perhaps this cash flow detriment would be offset by the fact that agencies would presumably make more money on selling wine they own because they could pocket the markup instead of passing it along to the state and just keeping a small commission.

In Oregon, more than 150 of the Commission's 235 agents run exclusive liquor stores. Exclusive stores are high volume businesses whose primary function is to sell liquor. Exclusive stores can sell some related items such as glassware and foods used in drinks.

There are more than 80 non-exclusive liquor stores that are operated in conjunction with other businesses like hardware, drug or grocery stores. Most non-exclusive liquor stores are located outside of metropolitan areas. Usually, non-exclusive stores sell less than $500,000 of liquor a year.

An exclusive retail sales agent must devote full time to operating a retail liquor store. A non-exclusive retail sales agent must devote enough time to a retail liquor

If the state is just in it for the convenience, then the convenience should still be there if the agents carry wine. In Oregon, agency stores can only sell spirits. All wine and beer is sold in private retail outlets, e.g. grocery stores.

Currently, an increase in commission dollars caused by increases in liquor sales must be appropriated by the legislature. Under an all agency system, commission dollars should be non-appropriated, as they would be based on market-related dollar sales and volume.

Discussion: The LCB cannot currently pay for upward trends in the sales but are contracted to do so. This needs to be changed under any model.

Considerations:

1) Is effective in controlling liquor abuse/misuse at point of sale *(Availability)*

Under this option the criteria for control would remain basically the same.

A limit could be set for the number of retail contracts per community. The State would still control the number of contracts (outlets) and would retain control for all contract agencies. In the analysis of this option, it is assumed that the total number of Agency stores would not exceed the present combined total of State and Agency Stores (315).

Limits can be placed on hours of operation.

The State retains control of alcohol taxes and spirits prices.

Communities would like input on the number of outlets. Agency contracts can include provisions for increased use of local options.

2) Is effective and efficient in enforcement of liquor laws *(Compliance)*

Strict enforcement of regulations concerning availability to underage persons and responsible beverage service would remain a high priority. Current agencies have a good record of compliance and enforcement of liquor laws.

Penalties for non-compliance could be the same as for other private retail liquor sales.

Juvenile consumption rates, DUI rates, and enforcement responsibility would not be directly affected by this change.

Discussion: There are some factors that we may want to consider. First, in the hearings, a number of witnesses testified that one of the major advantages of state stores was that they sold nothing but alcoholic beverages. There was no other merchandise to draw kids into the stores, and no reason for kids to be in the stores. Agency stores with other merchandise may be more of a target of opportunity for kids. And this may be much more of a problem in metropolitan areas than it is in small communities, which is where most agencies currently operate.

The agencies have existed, basically unchanged, since prohibition. Businesses include card and gift shops, grocery stores with a separate sales area for liquor. Most stores have mixer, pop, beer. Selling liquor is the business of the agencies and they are no less vigilant because of the supplementary businesses. Many of the supplementary businesses have counter service which is less appealing minors and may provide better control than the self-service state stores. Agency compliance record bears this out.

Discussion: Some agency storeowners testified that they received virtually no training from the state in enforcement (underage sales/sales to intoxicated persons).

Training has been woefully inadequate for all (stores and agencies). Private enterprise may have taken more steps in training that the LCB has. If the LCB was relieved of some of the day-to-day work of retail, they could better serve the control part of their mission. Stores and agencies have for the most part taken training on themselves. Agents would be criminally liable, as would restaurant accounts for selling to a minor. Agencies are also civilly liable if we make a bad sale, and are very aware of the consequences of making one mistake - lose the business. State employees get a two strike and you're out exception, and are covered under the states tort umbrella, so bear no fear of civil lawsuit.

3) Maintains or improves revenue generated for the state, cities and counties *(Revenue)*

There should be no loss in wine and spirits taxes. Under the current system of compensation, revenue to the general fund would increase due to reduced operations costs. This will be somewhat offset by the need to make adjustments to the Agency compensation formula.

For Fiscal Year 1999 the direct expense for the State stores plus other expense allocated to retail merchandizing functions that would be eliminated would amount to approximately $36.9 million - direct store expense of $36 million plus staff allocated expense of $900 thousand (attachment A3). Agency direct sales expense using commissions, based on the proposed formula that includes volume handling, would increase by approximately $29 million (attachment A2). The result is a net gain to the state of approximately $8 million.

Discussion: Karen Gregory told us that, if Oregon were starting anew, there would be strict enforcement of the terms of the contract with agencies. The cost of that strict enforcement should be factored in. She also pointed out that it is more difficult to deal with independent contractors than with employees. There may be additional costs here.

Contracts should be strictly enforced. The state needs the ability to get rid of a bad agency manager; as well they should a bad store manager. A District Manager has told me time after time how much easier it is to deal with agencies. The District Managers have one person to supervise and do not have to become involved in interpersonal problems with employees, scheduling conflicts, etc. LCB personnel have reported that the agency stores take up much less administrative time for the district managers than do the stores.

Discussion: The costs of WSLCB enforcement may increase. Agency stores are private businesses that need to make a profit, as is pointed out elsewhere in this paper. As we have learned, the State is not profit or volume driven. Agencies may have more of an incentive to make a "questionable" sale to a juvenile or intoxicated person than state stores. Because of this conflict, the State may have a larger enforcement job on its hands than it currently does, particularly since new agencies would be in major metropolitan areas where the owner won't know his/her customers.

A good point, but how much of an increase for 315 stores? There are over 5,000 off premise wine and beer outlets. The point is, that state may or may not be profit driven, they don't make the sale. The employee does, and they are most certainly profit driven. Hours for employees are based on bottle sales. The more bottles sold, the more hours. So where the employees hourly wage may not change by selling those extra bottles, the number of hours they work would. To say that agents would make questionable sales on purpose, jeopardizing their businesses and a lawsuit is unfair. There is no incentive to make a questionable sale, only willful disregard for the law, or that old thing human error. If an agent or a liquor store employee would ever make a questionable sale they should be fired and prosecuted. I asked the agent at the Seattle hearing if he saw any difference in Agencies vs stores in regard to compliance. His answer was no, without hesitation. At the Prevention Summit in Yakima this weekend, 7 or 8 enforcement officers from all over the state acknowledged that they saw no compliance differences between stores and agencies.

Discussion: We heard from some agency owners that the compensation from the state is totally inadequate. One owner testified that it was so inadequate that state agencies could not afford to improve the condition of their stores or re-locate them to nicer/safer areas. Since most of the new agencies would be located in major metropolitan areas where the costs of doing business (eg. rents) are substantially higher than in rural areas, we can anticipate that the state may be unable to attract new owners to open new agencies unless the commission levels are increased. Is it safe to assume for revenue projection purposes that the existing commission levels will remain in place?

Included the volume component of the commission in this model (attachment 2A). It does not exist now and agency representatives believe that it would be fair compensation.

At the commission rate in the comparative model, the large agencies in the large markets would be sustainable, as played out in Oregon. The agents in Oregon survive in the large markets, open and operate stores, find employees, etc. Revenue projection shows the increase model in agencies and still returns $7 million more to the state. Some (two or three) agents choose to not move into better locations as not to increase their costs because the current commission scale is declining as sales go up. The agent who testified is in the Spokane Wandermere mall. The model proposed would allow for the state to be able to require a uniform quality agency.

Discussion: Karen Gregory indicated that Oregon had a problem with the lack of uniformity among agency stores. As she said, "It's impossible to identify a liquor store." If it is important to have a uniform look among agency stores, that uniformity will come at a cost—either to the state or to the agency store owners. If the costs are imposed on the store owners, they will need to recover the costs either by way of higher commissions or higher prices or some other method.

Discussion: We also heard from agency owners that their data processing systems are totally out of date and non-functional and they cannot communicate with the state. There may be additional costs involved in updating/installing agency systems.

The agencies lack of technology inhibits their ability to communicate with Olympia. The stores technology is equally woeful; their technology causes store closure, cessation of sales, and inconvenience to customers. Under any model, both of these systems need updating and NOW!

Discussion: Since the transition from state to agency stores will not occur overnight, any cost savings will similarly not occur overnight. It's difficult to predict how long it will take to make the transition but, until it is complete, the expenses we anticipate eliminating won't be completely eliminated. It will take some period of time (years?) for the new system to be revenue neutral (and longer if we haven't taken into account some of the above costs). Is it possible that expenses would even increase during this transition while the state is in effect running parallel systems? Yes

State revenue from wine sales could be significantly affected based on the use of wine licenses by agencies. If all agency stores chose the option of buying wine through private wholesale channels rather than through the Liquor Control Board, the annual loss in state revenue, based on 1999 wine revenues, would be approximately $3 million (attachment A4).

Local governments would experience no loss of revenue. Distribution of funds would not change. Enforcement funding would not change.

There would also be a slight increase (approx $146,000) in the Business & Occupational taxes collected by the State. State liquor stores do not currently pay B&O taxes but independent contractors pay on their commissioned services.

4) Maintains current level of revenue support for education, prevention and treatment on affects of alcohol *(Prevention)*

Distribution of funds to prevention, treatment and education would not change under this model.

5) Provides for good paying jobs and benefits for employees *(Employees)*

Initially, Agencies operators were appointed positions. They later became state employees with full benefits. In 1994 the IRS ruled agents to be independent contractors and health care benefits and social security matching taxes were eliminated. Contract agents receive some direct compensation for liability insurance in the base rate portion of their formula. Funds for health insurance, retirement, sick leave, annual leave or any type of benefit must come from commission on sales or other non-state sources.

The number of state employees working for the LCB would decrease significantly under the contract agency system. Most of the reduction would come from the stores division (587 FTE's). Other reductions would occur primarily in the administrative and human resources functions performed by the LCB for State operated stores (approximately 14 FTE). The District manager function would remain to coordinate wholesale operations and monitor agency contracts.

Discussion: Oregon experience indicates that new employees would have to be added to monitor and enforce the terms of the agency contracts.

District Managers currently supervise all outlets. Without employee/scheduling issues etc., they should be reasonably able to do checks during visits of store location and appearance. Audits as conducted now would take care of paperwork requirements, and enforcement activities would remain the same. There is currently double the number of District Managers as Oregon.

The agency system would result in a different mix of positions with most going into the private industry work force. There should be minimal changes in enforcement.

The agency system would result in a different mix of positions with most going into the private industry work force. There should be minimal changes in enforcement.

There should be little or no reduction in purchasing, information services, licensing, enforcement, distribution, and product and retail supervision.

The hourly/salary range for agency retail clerks (including benefits) is generally lower than for state liquor store clerks.

6) Maximizes product choice/selection at a fair market price *(Products)*

Product selection in the spirits category would be at the same level of the current state retail store system. Spirits prices would not change under this model. Statewide consistency in spirits prices would be maintained.

Wine and beer prices would be based on markup/prices set at the retail level. Product choice would be based on private retail sales criteria and availability within the private wholesale system. This could result in smaller selection

Discussion: It may also result in higher wine prices for consumers. We have heard from many retailers that they can't compete with the state pricing on wines. If this were true (and the evidence is mixed), then having agency stores buy through distributors would increase prices to consumers.

Liquor stores in metropolitan areas might be divided into multiple agencies depending on sales levels. The opportunity to sell other items such as mixers, beer, wine, cigarettes, cigar, bar related items, and other avenues for profit necessary for an economically successful retail operation.

Discussion: It may be more difficult for agency stores to compete with respect to those other products in major metropolitan areas than it is in less populated rural areas. Major metropolitan areas tend to have lots of existing outlets for those other products. If agency stores need those other products in order to be successful, this could be a problem.

Oregon has successful agencies in large markets. We have successful agencies in large markets. Private retailers can do it.

7) Encourages efficient retail operations *(Efficiency)*

The need to realize a profit in each agency operation may encourage investment of dollars into best management practices. If the method of funding remains legislatively appropriated and current commission limits remains in place, upgrades to stores and systems may be difficult to fund.

Discussion: Several people said that the agency stores in Oregon are not in good condition. Some agency owners in Washington feel that the levels of compensation are inadequate to allow them to upgrade their properties.

8) Is fair to all participants in retail wine operations *(Fairness)*

If the majority of the agency stores chose to obtain wine through the private wholesale market, the question of fairness related to state versus private would be moot.

Agency stores would be required to pay for product when received from a private wholesale source. Agency stores pay for product when sold when obtained from the LCB.

Discussion: If agencies buy their wine inventories, it is unrealistic to think that the same wide variety of products could be offered. Agencies simply could not afford it.

Some could afford it now, some wouldn't want to and some with increased revenue, could get bank loans to purchase initial inventories if necessary. Some may become niche retailer in those large markets and become the wine shop with the best selection. The opportunity might be there.

Wholesalers/distributors may be reluctant to deliver product to agency store in remote, non-urban areas. Wineries, which are unable to find distributors to handle their brands, may find it difficult to get their wines into agency stores. If a lot of larger agency stores opt to buy wine from distributors, it may not be economical for WSLCB to continue in the wine business.

9) Minimizes conflict of interests – profit vs. control *(Interests)*

This option would allow for LCB concentration on its control functions – distribution of spirits at the wholesale level, licensing and enforcement and education.

10) Provides for local control and community accountability *(Community)*
There would be potential for increased community involvement by small local business. Quality and safety requirements could be included in agency contracts.

Overall Impact of Retail Liquor Sales Option

11) Promotes the greatest good for the greatest number *(Impact)*
Extent of the impact on local economy and benefits to and burdens on consumers, employees, suppliers, distributors, retailers, licensees, taxpayers, citizens and other interests should be assessed if this option is chosen.

Implementation Feasibility

12) Is feasible to implement effectively *(Implementation)*
The cost of the employee transition would be significant. While having half of retail outlets already in place facilitates transition, two systems would need to be maintained during the transition, which could span a number of years.

Legislative action will be required.

The existing retail outlets are in non-metropolitan, rural areas while all the new ones would be in more urban areas. It may be more work to set up agencies in these larger metropolitan areas than in the smaller communities where they currently exist.

315 Outlets Operated As State Liquor Agencies with Modified Compensation Formula ($0.15/bottle)

	A	B	C	D	E	F
		NOW		**If they were Agencies**		
1	**Gross Sales**	**$428,340,402**		**$428,340,402**		
2	**Total Net Sales**	**$293,720,059**		**$293,720,059**		
3	**Cost Of Goods Sold**	**$204,886,308**		**$204,886,308**		
4	**Gross Profit**	**$88,833,751**		**$88,833,751**		
5	**Direct Sales Expense**	**$43,533,536**		**$36,380,068**	**Attachment A2**	
6	**Net Return To State**	**$45,300,215**		**$52,453,683**		
7	**Additional Return To State**			**$7,153,468**	**(D6 - B6)**	
8	**Administrative Expense Reduction**			**$861,528**		
9	**Net Savings**			**$8,014,995**		
10	**% Direct Expense To Gross Sales**	**10.16%**		**8.49%**		

	Excluding Wine	**NOW**	**If they were Agencies**	**wine**	**less wine**
11	**Gross Sales**	**$428,340,402**	**$428,340,402**	$32,986,369	**$395,354,032**
12	**Total Net Sales**	**$293,720,059**	**$293,720,059**	$27,970,108	**$265,749,951**
13	**Cost Of Goods Sold**	**$204,886,308**	**$204,886,308**	$21,526,649	**$183,359,659**
14	**Gross Profit**	**$88,833,751**	**$88,833,751**	$6,443,459	**$82,390,292**
15	**Direct Sales Expense**	**$43,533,536**	**$36,380,068**		**$34,246,891**
16	**Net Return To State**	**$45,300,215**	**$52,453,683**	$3,082,901	**$49,370,781**
17	**Additional Return To State**		**$7,153,468**		**$4,070,566**
18	**Administrative Expense Reduction**		**$861,528**		**$861,528**
19	**Net Savings**		**$8,014,995**		**$4,932,094**
20	**% Direct Expense To Gross Sales**	**10.16%**			**8.49%**

Stores Operated As Agencies - Direct Sales Expense

1999 Gross Sales less Discount and Tax Exemptions			**$408,369,813.00**	
Base Per Year Times 315 Outlets	**$2,225,280**			
Commission of 21.33% On The First $10,500 In Sales	**$8,465,877**			
Times 12 Months Times 315 Stores		$408,369,813.00		Balance
Commission of 7.461% On The Next $10,500 In Sales	**$2,961,271**			
Times 12 Months Times 315 Stores		$408,369,813.00		Balance
Commission of 5.683% On Balance Of Net Sales	**$18,696,491**		$328,989,813.00	
Of $328,989,813.			0.00	Balance
Volume Compensation	**$4,031,149**			
Total Direct Sales Expense (Commissions)	**$36,380,068**	**based on proposed formula @$0.15 per bottle**		
1999 Direct Sales Expense for 159 Agency Stores	$7,509,066			
	$28,871,002			

Note:

Total Direct Sales Expense (Commissions) excluding wine $34,246,891

All information from the LCB Report of Operations for fiscal year 1999

	A	B	C	D	E	F	G
	Estimated Expense Reduction - Agency Option	**1999 Total***	**Store**	**Agency**	**Direct**	**% Expense Reduction****	**Total Expense Reduction****
	Other LCB Merchandise Expense		prorated using percent of net sales				
1	Board	$389,320	$322,831	$51,187	$15,303	0%	$0
2	Policy, Legislative and Media Relations	$107,057	$88,773	$14,075	$4,208	50%	($44,387)
3	Human Resources	$605,709	$502,264	$79,637	$23,808	50%	($251,132)
4	Administrative Services	$4,310,163	$3,577,388	$587,923	$144,852	10%	($357,739)
5	Information Technology Services	$2,509,310	$2,082,700	$342,280	$84,330	10%	($208,270)
6	Attorney General	$582,557	$483,515	$79,463	$19,578	0%	$0
7	Purchasing Services	$691,696	$574,100	$94,350	$23,246	0%	$0
8	Distribution Center	$6,404,343	$5,315,534	$873,578	$215,231	0%	$0
9	Product and Retail Supervision	$1,741,471	$1,445,402	$237,544	$58,526	0%	$0
10		$17,341,625	$14,392,508	$2,360,037	$589,081		**($861,528)**
11							
12	Direct Expense - Stores		$36,024,470				**($36,024,470)**
13	Direct Expense - Agency (Commission)			$7,509,066			
14	Agency Option - Direct Expense Increase (Commission)			$28,871,002			**$28,871,002**
15				$36,380,068			**($8,014,995)**

	Estimated FTE Reduction	**1999 Total***	**Prorate based on Expense***	**FTE - Merchandise***	**Estimated % Reduction***	**Total FTE Reduction***
20	Board	7	50%	4	0%	0
21	Policy, Legislative and Media Relations	5	25%	1	50%	1
22	Human Resources	10	91%	9	50%	5
23	Administrative Services	66	90%	59	10%	6
24	Information Technology Services	34	75%	26	10%	3
25	Purchasing Services	13	100%	13	0%	0
26	Distribution Center	82	100%	82	0%	0
27	Product and Retail Supervision	15	100%	15	0%	0
28		232		209		**14**
29	Stores	587	100%	587		587
30		820		796		**601**

* Data from LCB 1999 Annual Report ** Estimates for Agency Option

	A / B	C	D	E	F	G
	Liquor Sales - 1999	**Spirits**	**Wine**	**Malt Beverages**	**Alcohol**	**Total**
1	**Gross Sales**	$412,281,042	$32,986,369	$1,140,897	$537,188	$446,945,496
2						
3	**Less:**					
4	Discounts and exempt tax	26,211,414	1,005,518	683	0	27,217,614
5	Spirit Taxes	113,365,661	0	0	0	113,365,661
6	Wine Taxes	0	1,625,566	0	0	1,625,566
7	State and Local	0	2,385,178	87,536	8,546	2,481,259
8	Board Surcharges	3,912,206	0	0	0	3,912,206
9	Total discounts and taxes	143,489,281	5,016,262	88,218	8,546	148,602,307
10						
11	=Net Sales	$268,791,761	**$27,970,108**	$1,052,678	$528,642	$298,343,189
12						
13	**Less:**					
14	10% of Net Sales to Class H..	6,792,355	0	0	0	6,792,355
15						
16	=Net Sales after "10% of Net"	261,999,405	**27,970,108**	1,052,678	528,642	291,550,834
17						
18	**Less:**					
19	Cost of Goods Sold	190,972,102	**21,526,649**	700,174	70,082	213,269,006
20						
21	=Gross Profit from Liquor Sales	$71,027,304	**$6,443,459**	$352,505	$458,560	$78,281,827
22						
23	% Gross Sales	92.24%	7.38%	0.26%	0.12%	
24	Direct Sales Expense (prorate)	$42,002,020	**$3,360,558**	$116,231	$54,727	$45,533,536
25						
26	=Net Profit on Sales	$29,025,284	**$3,082,901**	$236,273	$403,833	$32,748,291

Prorated on % of Gross Sales